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Secretary Jared Blumenfeld
California Environmental Protection Agency
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Dear Secretary Blumenfeld,

On behalf of the one million active and retired members of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers (UAW) — and our tens of thousands of California members and retirees — we appreciate the opportunity to share our views on the Vehicle Emissions Study authorized by AB 74. The study calls for strategies to “significantly reduce emissions from vehicles and to achieve carbon neutrality in the (transportation) sector, including the transition to zero-emission light-duty vehicles, in particular, passenger vehicles, the transition to zero-emission heavy vehicles, and the adoption of other technology to significantly reduce emissions from heavy vehicles.”¹

The climate crisis is growing, and the impact is happening in real time as the number and strength of extreme weather events such as heat waves and droughts have increased. UAW members and retirees throughout the continental United States and Puerto Rico have suffered from extreme weather events in recent years. Failing to take concrete steps to address climate change puts us on an unsustainable course. It not only creates risks for our planet, but it is also a direct threat to our jobs, and an even bigger threat to the jobs and quality of life to be enjoyed by our future generations.

California continues to set the pace on climate policy and emissions reductions, and as Governor Newsom said in his recent Executive Order, “California is proof that a bold climate agenda is good for the economy, for workers, for health and for our future.”² To ensure that future climate policies live up to this, it is critical that studies by the multi-agency group for AB 74 identify strategies for reducing emissions and promoting clean vehicles that benefit workers and communities. Existing and future programs should adopt objectives that promote domestic manufacturing of advanced technology vehicles and components and hold manufacturers accountable for creating quality jobs, providing safe working conditions, and complying with labor and safety laws.

¹ <https://calepa.ca.gov/climate/carbon-neutrality-studies/>

² <https://www.gov.ca.gov/wp-content/uploads/2019/09/9.20.19-Climate-EO-N-19-19.pdf>

The study authorized by AB 74 should identify how jobs quality and domestic content provisions can create win-win policies for workers, communities, and the environment. California's incentive programs to accelerate vehicle electrification should promote domestic production and high-quality jobs for workers across all vehicle classes – heavy, medium and light-duty. Labor standards and domestic content requirements should be required for the greening of government fleets, consumer-side rebates like the Clean Vehicle Rebate Program (CVRP), initiatives to promote the electrification of commercial fleets, and policies to stimulate clean-vehicle manufacturing.

Support for Negotiated National Emissions Standards

Against a backdrop of federal policy that seeks to unwind environmental progress, California's policy decisions have repercussions far beyond the State's borders. Our hope is that California will continue to set a path forward in greening transportation, a path that ensures American workers across the auto supply chain have the opportunity to build clean vehicles while preserving the job quality that union auto workers have fought over generations to establish—and still fight to maintain today.

Over the last decade, UAW members have played an important role in reaching a hard-fought consensus among a wide variety of stakeholders to significantly reduce passenger vehicle emissions and raise the Corporate Average Fuel Economy (CAFE) for passenger vehicles sold in the United States. This standard demonstrated that well-constructed regulations and policies can promote investment in advanced technology, create jobs, and make our cars more attractive in foreign markets while allowing manufacturers the flexibility they need. Fuel efficiency is improving across the industry, including many vehicles and components made by UAW members.

Standards have helped to incentivize the development of more energy efficient vehicles. Analysis by the Union of Concerned Scientists projects that investments in technology to meet these standards will create an estimated 650,000 jobs (full-time equivalent) throughout the U.S. economy by 2030, including 50,000 in light-duty vehicle manufacturing (parts and vehicle assembly).³

We oppose the EPA & NHTSA's preferred alternative on emissions standards for light duty vehicles. The Administration's proposed rollback would jeopardize efforts to address air pollution and the climate change crisis, and risks allowing the U.S. auto industry to fall behind on advanced vehicle technology and sustainable innovation, just as other nations are promoting increased efficiency and lower emissions. It could also lead to years of litigation and uncertainty that discourages investment. This would not be a good outcome for workers, the economy, or the environment.

³ Union of Concerned Scientist, "Fact Sheet: Fuel Economy and Emissions Standards for Cars and Trucks, Model Years 2017 to 2025", June 2016: <https://www.ucsusa.org/sites/default/files/attach/2016/06/Fuel-Economy-Standards-2017-2025-summary.pdf>

We have advocated for a uniform standard derived from a consensus-driven process that includes all stakeholders, including states, workers, manufacturers, environmental advocates, and consumer groups working together to reach an agreement on regulations that helps the economy and the environment.

California's EV Initiatives Should Promote Quality Domestic Jobs

UAW members are proud of their important role in creating middle class jobs that have enabled generations of workers to provide for their families and retire with dignity. However, as unionization rates decline in the manufacturing sector, fewer workers are enjoying the benefits of quality manufacturing jobs, including in electric vehicle production.

Over the past fifteen years, U.S. automotive production workers' wages have fallen significantly. When adjusting for inflation, average hourly earnings for production workers in auto assembly have declined 23 percent, while wages in the auto parts sector have declined 22 percent.⁴ Real wages have dropped despite remarkable increases in productivity. From 1979 to 2018, net worker productivity rose 69.6 percent, while the hourly pay of typical workers increased by a mere 11.6 percent over 39 years (after adjusting for inflation).⁵ To make matters worse, since 2000, the U.S. has lost over three million manufacturing production jobs.⁶

It is vitally important that California's policies intended to promote EV adoption must also incentivize the creation of high-quality domestic jobs that provide safe working conditions, free exercise of workers' rights, stable career paths, and economic stability for families. Otherwise, EV manufacturing facilities are likely to continue their trend toward unsafe work environments, substandard wages, and reliance on temporary workers who are underpaid and lack job security.

Electric Vehicle production will be shaped by public policy

California's incentive programs to promote EV adoption should encourage domestic production and family-sustaining jobs to stabilize the middle class – with labor standards requirements for all consumer incentives programs, government procurement policies, commercial fleets and manufacturing subsidies.

Consumer Incentives

California has led the nation in demonstrating that consumer subsidies are an essential component to stimulating a robust EV market. California represents around half of the nation's EV sales, compared to 12 percent of conventional passenger vehicle sales.⁷ EV sales have accelerated, but were still under 8 percent of auto sales in California for 2018,⁸ compared to under 2 percent nationally.⁹ Consumer incentives should also be used to promote domestic high-

⁴ Bureau of Labor Statistics. "Average hourly earnings of production and supervisory employees." Series CEU3133610008 & CEU3133630008, Data from April 2004-April 2019. Adjusted using BLS CPI Inflation Calculator.

⁵ Economic Policy Institute. "The Productivity-Pay Gap." July 2019. <https://www.epi.org/productivity-pay-gap/>

⁶ U.S. Bureau of Labor Statistics, Production and Nonsupervisory Employees: Manufacturing [CES3000000006], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CES3000000006>

⁷ <https://evadoption.com/californias-share-of-us-ev-sales-is-declining-and-thats-a-good-thing/>

⁸ https://ww2.arb.ca.gov/sites/default/files/2019-06/061319_fundingplanwkshp_presentation.pdf

⁹ <http://www.ev-volumes.com/country/usa/>

road production of EVs by considering where the vehicle was assembled, the level of the vehicle's domestic content, and the conditions under which the vehicle and components were produced, including wages, benefits, health and safety, and freedom of association.

We have engaged with CARB to share our views on the CVRP proposed program changes given the funding limitations. We have stressed the importance of targeting the most price-sensitive consumers and continuing to support electrification across all vehicle models, including both plug-in hybrids and battery electric vehicles. In our written comments to CARB we support maintaining Income Caps for CVRP eligibility. Based on our own analysis, we agree with Staff's assessment that, "Since the introduction of the CVRP income cap, roughly 50 percent of ZEVs purchased or leased in California have been rebated. This suggests that the income cap may be having the intended effect of directing the rebates to a smaller portion of the market and reducing the number of rebates issued to consumers who would have purchased an EV regardless of the additional incentive."¹⁰

We have also communicated to CARB that in addition to labor standards, it is critical that EV incentives are offered across all types of passenger vehicles. Nearly all EVs and PHEVs available for sale in the last few years have been sedans, with few options for larger vehicles. Yet, in the third quarter of 2019, 56.6 percent of California's vehicle sales were light trucks.¹¹ Reaching mass-adoption of EVs and PHEVs will require electrifying larger vehicles. Consumer incentives for PHEVs and EVs should be structured to encourage automakers to offer electrified options in all segments.

As CARB staff said in its Updated Three-Year Plan for CVRP and the ZEV Market, "more choices in larger vehicle categories like SUV, minivan, and pick-up truck, and light-duty trucks in the PEV market are needed for the emerging EV market to be more attractive to consumers and become competitive with the ICE market."¹² It is important that the AB 74 study take into account that PHEVs play an important role in electrification by reaching the widest range of consumers and exposing them to the benefits of EVs, all while significantly lowering emissions. PHEVs are good options for consumers who would not otherwise purchase an EV, particularly for consumers who live outside dense public charging networks or whose housing precludes the purchase of home charging equipment.

CVRP applications for PHEVs have been higher among key equity communities. Since 2017, 45 percent of CVRP low- and moderate-income applications were used to purchase PHEVs. This compares to 32 percent among all other individual applicants with standard rebates.ⁱ PHEVs are often a more affordable option as well. The 2018 sales weighted average MSRP for PHEVs was more than \$10,000 cheaper than for EVs.ⁱⁱ It is also likely that the first electrified versions of many larger vehicles will be PHEVs, with full EVs coming to market later.

Procurement Policy

¹⁰ <https://ww2.arb.ca.gov/sites/default/files/2019-09/fy1920fundingplan.pdf>

¹¹ <https://www.cncda.org/wp-content/uploads/Cal-Covering-2Q-19.pdf>

California policy already recognizes that government EV fleet purchases, whether it is light-duty cars, medium- and heavy-duty trucks, or public transit vehicles, are a critical tool for creating cleaner transportation and that EVs are well-suited for fleet purchases due to their operating cost advantages.¹³ Given California's size, such purchases also shape manufacturers' decisions around development of such vehicles. Clean procurement initiatives can be a tool to promote quality domestic jobs making EVs and PHEVs. State vehicle procurement programs should be conditioned on high-road labor standards and the domestic production of vehicles and components like batteries.

Manufacturing Incentives

Public policy can heavily impact companies' investment decisions around plant locations, suppliers and working conditions. Manufacturing incentives to establish or expand clean vehicle assembly, battery manufacturing, or other parts production should be structured to stimulate quality jobs through strong job quality provisions. State support for clean vehicle manufacturing should include requirements related to job quality, health and safety conditions, compliance with labor law, and support for workers transitioning from traditional to clean energy vehicles.

Conclusion

As a stakeholder in the transition of the auto industry to clean vehicles, we look forward to working with CalEPA and agencies working on the AB 74 Studies to ensure a proactive approach to quality jobs that meets our climate goals while building economic and environmental sustainability for all communities. We believe AB 74 creates the opportunity for California to develop an equitable approach to emissions reduction and a high road jobs strategy for auto workers. Labor standards requirements on all incentives to green transportation would help protect the quality jobs of hundreds of thousands of workers in vehicle production and the supply chain, jobs that have long been a cornerstone of a stable middle class.

We thank you for your consideration of our recommendations and look forward to further dialogue. Please feel free to contact Alyssa Giachino (alyssa.giachino@gmail.com) with any questions.

Sincerely,



Josh Nassar
Legislative Director

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¹³ https://www2.deloitte.com/content/dam/insights/us/articles/3851_FoM-Power-and-utilities/DeloitteInsights_FoM-P&U.pdf, page 6

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